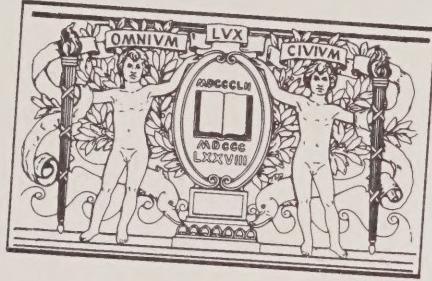


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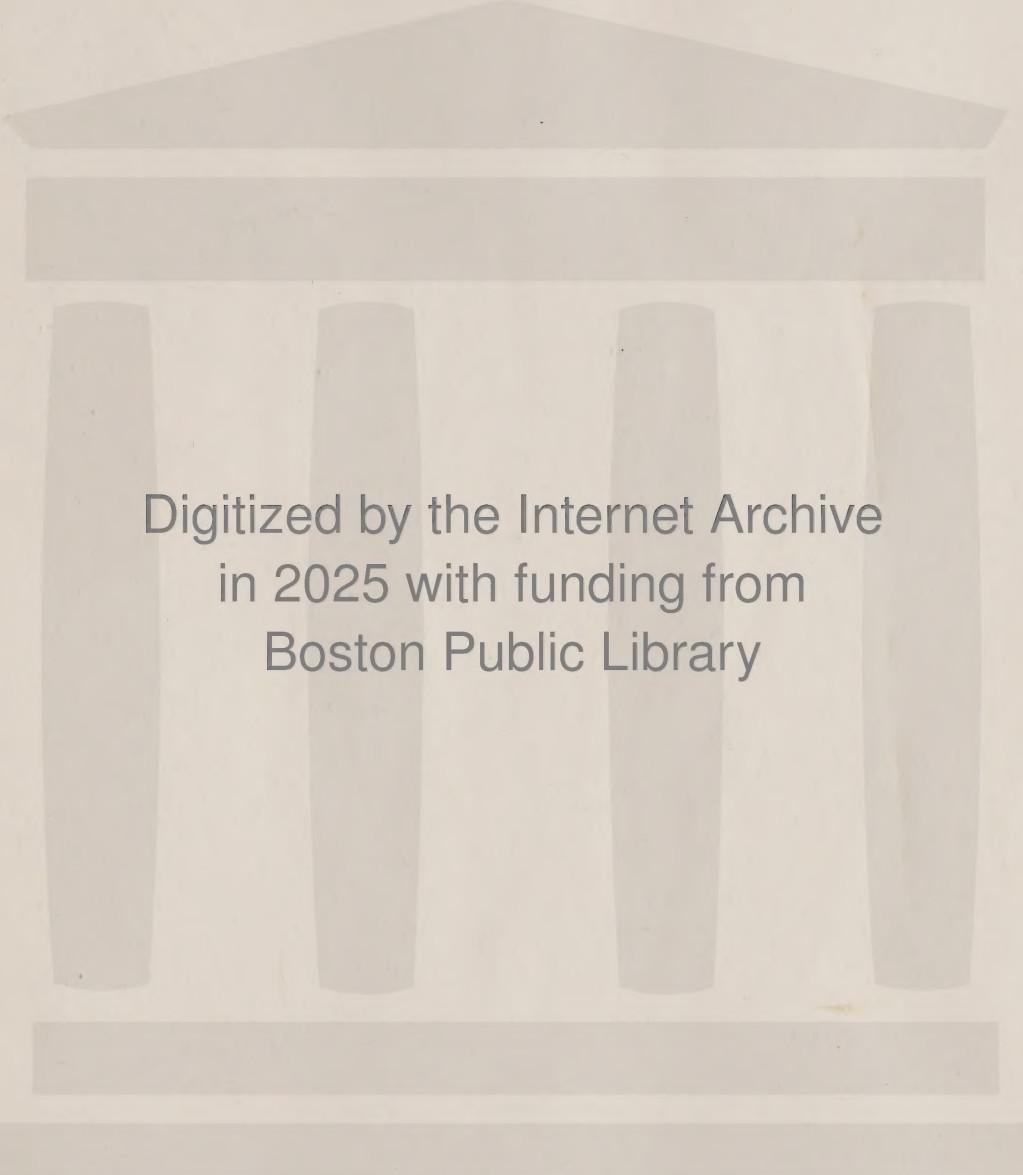
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THE 1986
BOSTON
OFFICE
INDUSTRY
SURVEY

Preliminary Findings

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1986 OFFICE INDUSTRY SURVEY PRELIMINARY FINDINGS

1. Methodology
2. Special Features of Boston's Office Market
3. Financial District and Back Bay Comparison
4. Highlights from the Owner/Manager Survey
5. Highlights from the Tenant Survey: Financial District and Back Bay
6. An Inventory of Office Space in Downtown Boston

Methodology

The Office Industry Survey was initiated in mid-1986 to provide an in-depth look at the office market in downtown Boston. Information was gathered through the administration of questionnaires to office building owners/managers and tenants. The owners/managers were asked questions pertaining to building stock, operating costs, leasing and financing arrangements, rents, vacancy rates, firms occupying space in downtown Boston's office buildings and other related issues. The tenants were questioned on the characteristics and industries of firms leasing space downtown, factors influencing their choice of location, as well as employees' job classifications, salary ranges and commuting patterns.

The Office Industry Survey began with the creation of an inventory of office space in downtown Boston. The inventory yielded a list of 366 buildings, representing 41,415,321 square feet of office space. From the inventory, a random sample of buildings was drawn and stratified to include buildings in each class and market area. The final sample included 94 buildings with 8,287,405 square feet of space. Table 1 shows the proportion of space that sample buildings in each market area represent of the total sample as compared with each market area's share of the total space inventory. Table 2 notes the proportion each building class represents of the total sample (in terms of square feet) as compared to each building classes' share of the total inventory. These tables indicate that one can accurately extrapolate from the sample data described below to the universe of office space in downtown Boston.

It should be noted that the survey results have been calculated on the mid-1986 office inventory measure of 41,415,321 square feet, and that this figure has been updated to 43,615,765 square feet for year-end 1986. The additional 2.3 million square feet does not change the proportional distributions among office space classifications and geographic areas in any significant way. The 1986 year-end inventory figure was the value used to calculate fourth quarter 1986 vacancy rates. An update of the office inventory is found in Section 6 of this report.

After selecting the sample, letters were sent to building owners/managers and tenants. Potential participants received letters from Stephen Coyle, Director, Boston Redevelopment Authority, and Jeremy Hubbell, President, Building Owners and Managers Association, soliciting their participation in the Survey. Within a week of having received letters, potential participants were contacted by Research Department Staff and, in most cases, interview appointments were arranged. With very few exceptions, interviews were conducted in person. Interviews tended to range from 40 minutes to 2 hours, depending upon the condition of the building (more questions pertain to rehabilitated space than new space) and the size of the firm (large firms usually require separate interviews with personnel, accounting and facilities staffs). Each questionnaire was then entered into an IBM- AT computer.

The office owner/manager survey is complete, and the office tenant survey is 95 percent complete. This preliminary report summarizes data from the tenant survey; and includes findings from the owner/manager survey for the Back Bay and Financial District only. A complete report on findings for all market areas and building classifications will be issued this summer.

SPECIAL FEATURES OF THE BOSTON DOWNTOWN ECONOMY

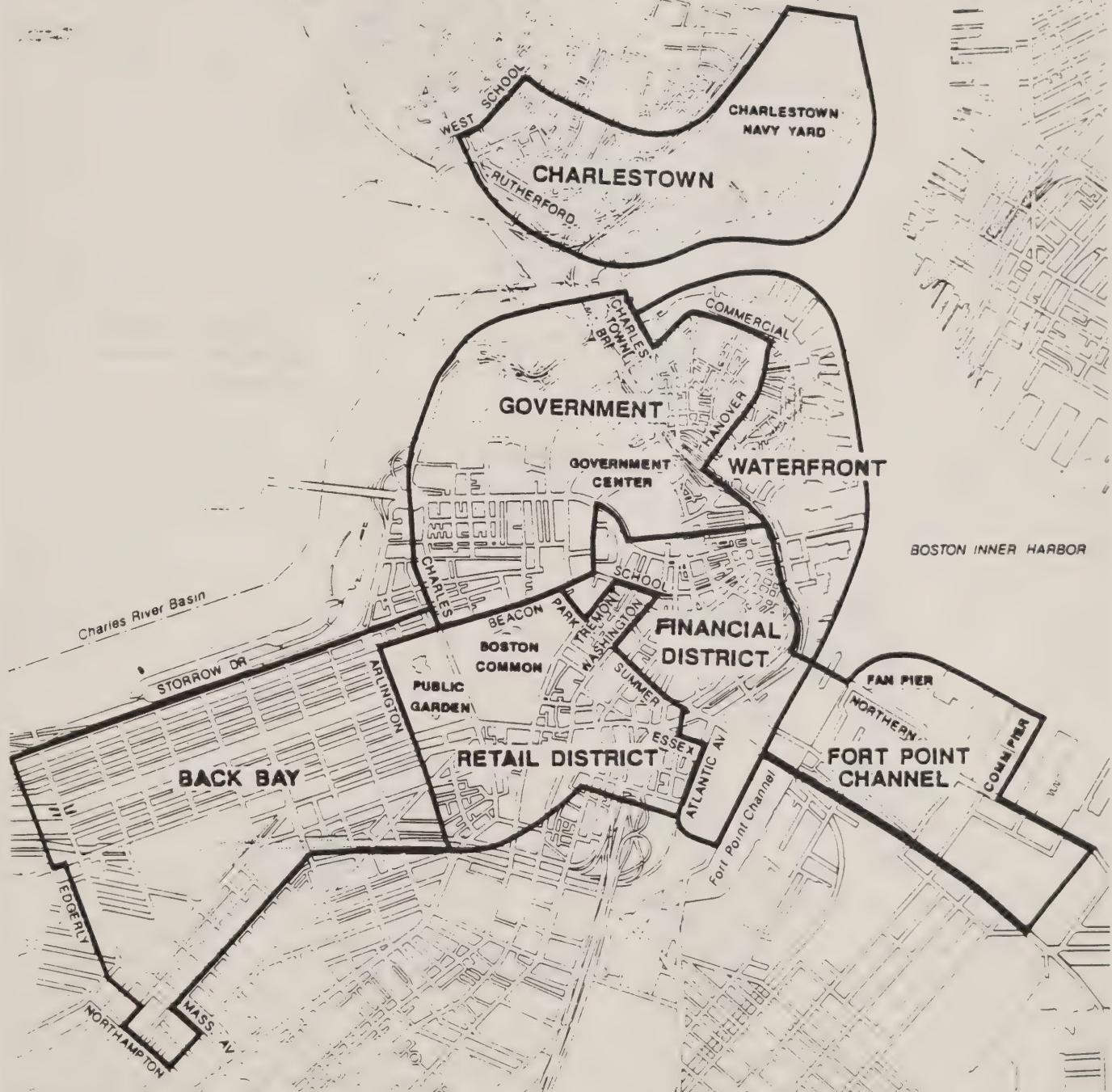
The Class A Office Market

- o Of Boston's 41.4 million square feet of office space, in 366 buildings, as of early 1986, 26.2 million square feet in 94 buildings were judged to be Class A. The Financial District extended dominates with 65% of all office space, followed by 23% for Back Bay extended, and 12% for the Government Area.
- o The 1986 year-end vacancy rate for class A space in Boston is 5.7 percent. Vacancies for Class A Office space had peaked at 9% in second quarter 1985, following the extraordinary volume of office building in Boston in 1984, but diminished smartly to 7% in second quarter 1986, and 6% in the fourth quarter. The Boston experience contrasts with that of the suburban ring (where vacancies have risen to 15%), and with that of the Nation's larger cities and metro areas (where vacancy rates are 14% and 18%, respectively). Among 27 large cities, Boston's year-end 1986 office vacancy rate of 6% may be the lowest.
- o Boston's office market will ease moderately in 1987 and 1988 as 5 million square feet of Class A office space are completed. Vacancies may rise through 1987, and could reach 11% at year-end 1988.
- o The quality upgrading of Boston office space is reflected in the fact that class A space is expanding more rapidly than the total office inventory, and now represents 63 percent of the total stock compared to 40 percent in 1978. Information on the construction schedule of approved projects through 1991 indicates that this trend will continue with the growth of the Class A inventory to 35 million square feet, representing an 1986-1991 annual growth rate of 5%.

Submarkets

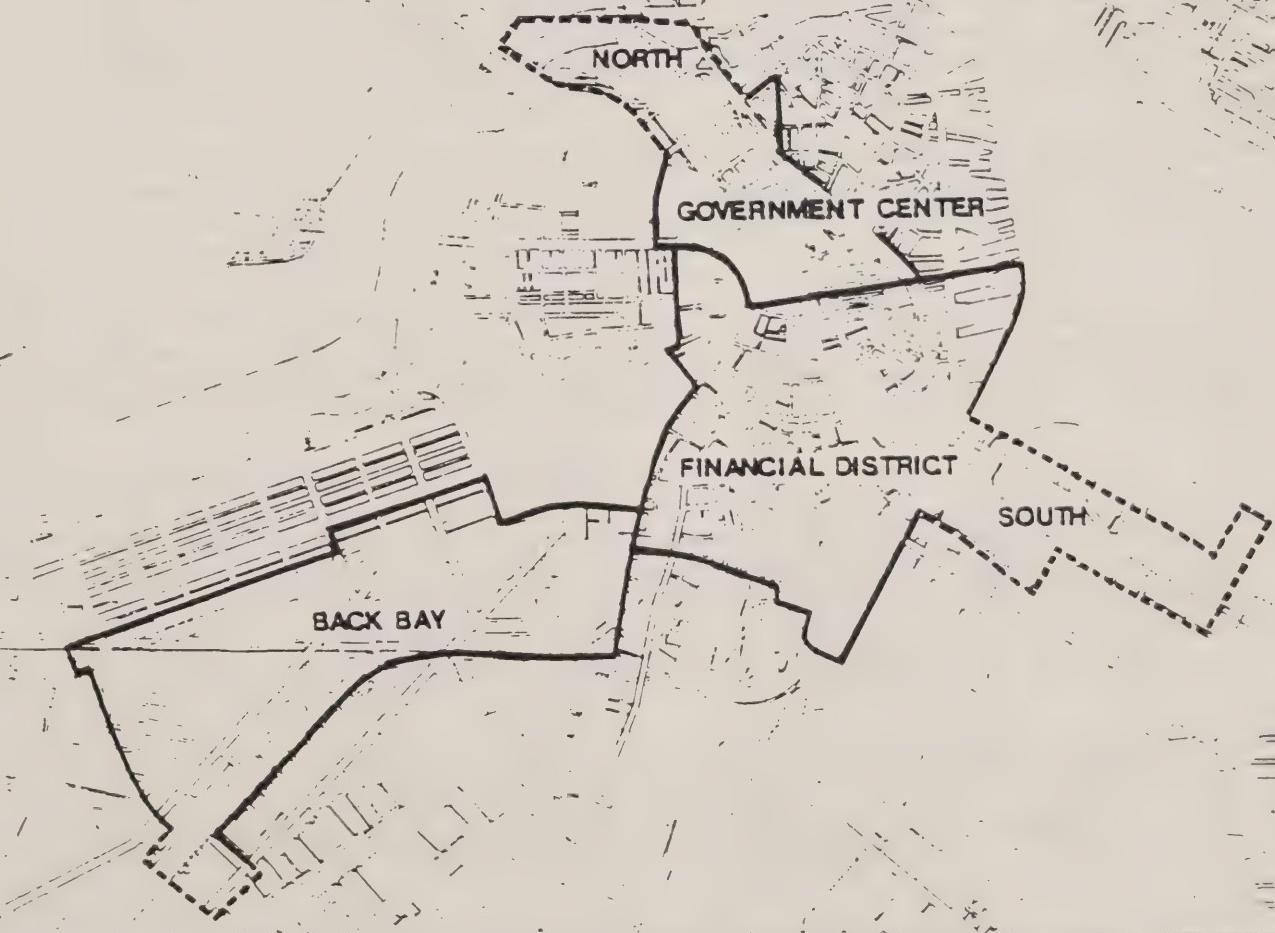
- o The Financial District constitutes the principal office market in Boston, and will sustain its regional preeminence extending to the Northern Avenue Corridor Area in the 1990's. Judging by the known pipeline of supply, 1987-1991, the Financial District will add 5.3 million square feet of Class A office space, out of a city-wide Class A increment of 7.6 million square feet (70%), including 3.6 million square feet of Tower space (68% of the Financial District addition).
- o The Back Bay office market, in comparison with that of the Financial District, is expanding more rapidly, has a lower vacancy rate, and will extend its reach to envelope Parcel 18. Though the Back Bay Class A office inventory supply is scheduled to grow by 1.8 million square feet, from 1987 through 1991, only 700,000 square feet of Class A space will be completed in 1988 in the Back Bay, and vacant space may be expected to dwindle. Vacant space may virtually disappear in Back Bay for two to three quarters after mid-1987, and spill-over demand may flow to the Financial District market. In the second quarter of 1991, vacancies would rise to 7% to 11%, following the completion of the Parcel 18 project, falling thereafter to 4% to 9%, by year-end.

BOSTON'S OFFICE SUBMARKETS



BOSTON'S CLASS A OFFICE MARKETS

— EXISTING
- - - - PROJECTED
EXPANSION



Changing Nature of Demand for Boston's Office Supply

- o Between 1976 and 1983, employment in business and professional services firms expanded more rapidly than in banking and insurance firms. Business and professional service firms are mainly small and medium sized, and have a relatively richer mix of professional, managerial and technical occupations.
- o Employment levels in firms with 500 or more workers actually fell by 7%, while jobs in firms with 50 to 500 workers increased by more than 50%.
- o These trends in the industry shift in employment are projected to continue, creating a "new generation" of office space consumers. Smaller sized firms with a greater proportion of professional and managerial employees are expected to play a key role in office demand in the future.

Value Appreciation of Commercial Real Estate

- o Value appreciation has emerged as a measure of the preference for Boston office buildings as long-term investments. The recently enacted federal tax reform may favor investment in Boston office buildings relative to those of the suburban office parks and other large cities and metro areas where buildings' economics rely more heavily on tax syndication. Most buildings in downtown Boston are owned through limited partnerships and trusts; only one building in the survey was owned through syndication.
- o Even though rentals have been rising, a recent survey of tenant firms showed that median and mode office rentals are roughly 8 to 10 percent of tenants' gross income, indicating that Boston office rents are not out of line with the norm of ability to pay.
- o The annual increment in the city's property tax rate is limited to $2\frac{1}{2}$ percent, so that while property values have been and are expected to continue to rise at a much higher rate, property tax rates are declining. This trend is expected to continue.

The Boston Economy In The Year 2000

- o According to reports of the U.S. Bureau of Economic Analysis with projections to the year 2000, the Boston Metropolitan Region is projected to improve its ranking among the Nation's 330 metropolitan areas, from 7th to 6th in the level of personal income, from 15th to 11th highest in per capita personal income, from 6th to 5th in population, and from 5th to 4th in employment.
- o The National Planning Association forecasts that the projected number of jobs gained in the Boston Metropolitan Region (+775,000) to the year 2000 would be second in the Nation exceeded only by the gain foreseen for the Los Angeles Metro Region (+1,032,000 jobs).

Unemployment Rates*
in Major U.S. Metropolitan Areas, 1980-1987
 (in percent)

Annual Averages

Metropolitan Area	1980	1982	1984	1985	Jan. 1986	Jan. 1987
Boston	5.2	6.7	4.1	3.4	3.3	3.3
New York	8.2	8.9	8.1	7.4	6.7	6.7
Washington, D.C.	5.0	5.8	4.2	3.9	3.8	3.8
Chicago	8.3	10.6	8.4	8.3	7.6	7.2
Atlanta	6.0	6.4	4.8	5.0	4.8	4.5
Dallas / 1	4.4	5.7	3.6	4.7	4.6	6.7
Houston	5.2	6.5	6.7	7.8	7.6	11.0
Denver / 2	5.0	6.6	4.8	5.0	6.3	8.4
Los Angeles	6.6	9.3	7.9	7.0	6.6	5.6
San Francisco / 3	6.3	8.2	5.3	4.9	4.3	4.8
City of Boston	6.1	9.1	5.5	4.5	4.5	4.5
United States	7.1	9.7	7.5	7.2	6.7	6.3

Source: U.S. Department of Labor Bureau of Labor Statistics, April 1987

*Monthly rates are not seasonally adjusted

1. Included Fort Worth area during 1980-1984

2. Included Boulder area during 1980-1984

3. Included Oakland area during 1980-1984

Key Indicators 1984-1987

- o In the three year period, 1984-1986, Boston gained 36,000 jobs (12,000 jobs a year), in comparison with 7,500 annually in the overall 1980-1986 period. Boston's January 1987 unemployment rate was 4.5 percent, compared to 3.3 percent for the Boston metro area; and 6.7, 4.8, and 5.6 percent for the New York, San Francisco and Los Angeles metro areas, respectively.
- o Development construction totalled \$3.5 billion in the 1984-86 period, or \$1.2 billion a year in comparison with an annual average of \$760 million a year in the 1980-83 period. The distribution of this investment reflects a balance of uses: \$1.6 billion was for office space, \$300 million was for retail space, \$500 million was for hotel and exhibit space, \$200 million was for parking and transportation, and \$500 million was for residential development. In calendar year 1986 development investment generated more private market housing starts than Boston has had in 25 years.
- o Boston's private office inventory had grown from 37.2 million square feet, in 1980, to 43.7 million square feet, at year-end 1986; but most of this addition, came on stream in the 1984-85-86 years. Boston's office space had grown by 2.3 million square feet from mid-1986 to year-end.
- o Boston's hotel rooms increased by two-thirds since 1980, to serve the growing number of business visitors (50% of hotel clients), convention goers (30%) and tourists (20%). Half of the increment in hotel rooms emerged in 1984, 1985 and 1986. Boston's hotel occupancy rate in 1986 was a record 72.5%, and the average daily room rate was \$91.
- o Boston's retail space was very substantially expanded and upgraded with the addition of 1.1 million square feet of net new space since 1980.

OFFICE INDUSTRY SURVEY

Financial District and Back Bay Comparison

Stock

- o As of mid-1986 the Boston office market contained 41.4 million square feet of office space. Of this amount, 21.5 million square feet (52 percent) was in the Financial District, and 9 million square feet (22 percent) was in the Back Bay.

Employee Characteristics

- o Eighty-two percent of workers in the Financial District are employed in either banking and credit firms, financial services, or professional and legal services. In the Back Bay, 77 percent of workers are employed by insurance companies.
- o The industries that tend to be the major employers in both markets also tend to consume the least amount of office space per employee. The firms leasing the most space per employee in both markets are government, social service, and non-profit organizations.
- o The Financial District workforce has a higher percentage of professionals and managers (49 percent) and a lower percentage of clerical workers (44 percent) than the Back Bay workforce. The Back Bay workforce is predominantly employed in insurance, a particularly "clerical intensive" industry, with 56 percent of insurance employees in clerical specialties. The insurance companies are the only major employers in Boston's office buildings whose non-professional staffs outnumber their professional staffs. Back Bay clerical workers are relatively well paid, with a weighted average annual salary of \$18,000, compared to \$33,000 for professional/managerial workers.
- o An undersupply of skilled secretarial/clerical workers was reported by 79 percent of Financial District employers and 36 percent of Back Bay employers. Thirty-seven percent of Financial District employers and 23 percent of Back Bay employers thought that additional job training would help to alleviate this problem; 24 percent of Financial District employers said that more available day care would help; and 22 percent of Back Bay employers said they were making special efforts to hire Boston residents.

Commuter Patterns

- o MBTA is the exclusive mode of transport for 21 percent of Financial District commuters and 37 percent of Back Bay commuters. The automobile follows closely behind as the exclusive source of transport for 20 percent and 21 percent of Financial District and Back Bay workers respectively.

FINANCIAL DISTRICT AND BACK BAY COMPARISON KEY INDICES

	Financial District	Back Bay
Stock		
Amount of office space (s.f.)	21.5 million	9 million
% Class A	86	62
Employee Characteristics		
Major Employer	Banking, Credit, Financial	Insurance
Average Number Employees Per Firm	29	34
Commuter Patterns		
% Use MBTA only	21	37
% Use Auto only	20	31
Leasing Characteristics		
Average Rent (p.s.f.)	\$17 - 31	\$15 - 30
Average Length of Lease (Years)	3 - 5	3 - 5
% Leases with Concessions	57	35
Location and Relocation		
Average Tenure (Years)	7	9
Major Motive For Move	Expansion	Expansion
Most Preferred New Location	Waterfront	Midtown

HIGHLIGHTS FROM THE OWNER/MANAGER SURVEY

Rents and Leasing Terms

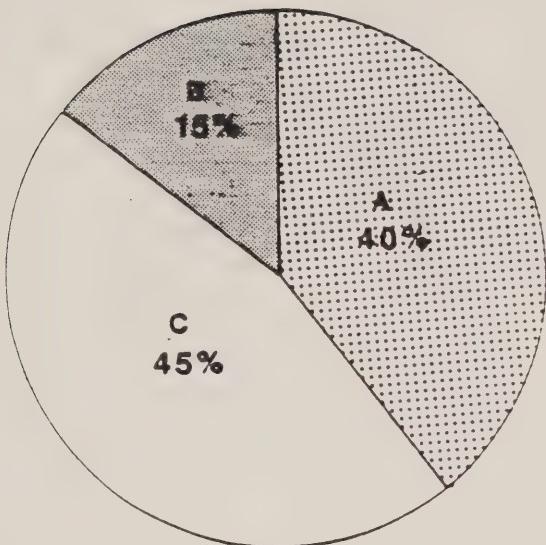
- o The average rents which firms are currently paying for space in Boston range from \$17.22 to \$27.31 per square foot. (See Table 12.)
- o An analysis of rents by building class suggests, not surprisingly, that some tenants are getting a break in rent. The larger tenants are able to negotiate more favorable rents because they represent more stability, absorption, and less leasing complexity; and some owners in the Financial District indicated an unwillingness to lease space to firms requiring less than a full floor for their operations.
- o In downtown Boston, the duration of the average free rent period is 3 to 4 months, compared with one year of free rent offered by developers in some suburban markets. Developers in general, tend to offer tailoring and decorating space to the tenants' specifications and needs as a means of attracting tenants since these costs can be capitalized and amortized.
- o Fifty-four percent of owners interviewed reported that their rent structure is not influenced by the length of the lease signed. The average lease written today is for a period of 3-5 years. For the 36 percent of building owners who reported that rents fluctuate based on the duration of their leases, 14 percent offer a rent concession as enticement when a firm commits to a long lease.
- o Fifty-four percent of those interviewed stated that firms are charged higher rents for first floor retail space, for occupancy of upper floors with good lighting and/or a view, and for space which faces the street.
- o Rent ranges per square foot quoted by developers and brokers do not accurately reflect the real costs of leasing space to tenant firms. Nearly all survey respondents indicated that current leases are written with a base rent and tax and operating cost escalators. The operating costs and tax escalators which are now an integral part of 95 percent of new lease agreements drawn up on office space in downtown Boston mandate that unstated step increases which reflect inflation and changes in tax rates and tax policy are added annually to base rents. (See Table 13.)

Building Stock

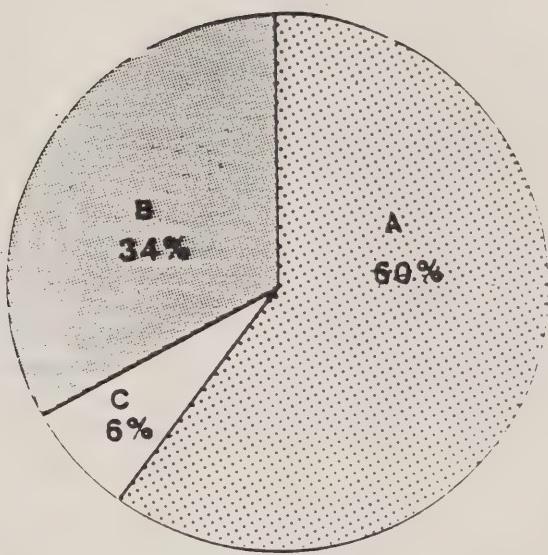
- o The basic building stock in Boston is old by American standards. Approximately 86 percent of office buildings downtown were constructed prior to 1960. The early building "boom" in Boston occurred in the years between 1890 and 1930 when 57 percent of the buildings still in use in 1986 were constructed. (See Table 4.)
- o Boston's total building stock changed dramatically from 1978 to 1986. In 1978, Class C space dominated the downtown market with approximately 14,000,000 square feet or 43 percent of all office space. Class A space accounted for 13.7 million square feet or 40 percent of downtown compe-

QUALITY UPGRADING OF BOSTON'S OFFICE SPACE

1978



1986



Class A

Class B

Class C

titive space. In 1986, Class A space represented 63 percent of the market and Class C space which had been largely upgraded in the interim accounted for only 6 percent of the market. (See Table 3.)

- o After a dormant period between 1930 and 1960, a new surge of construction activity began. By 1986, approximately 14 percent of the stock was newly constructed and 65 percent had been rehabilitated. Fifty-nine percent of this new construction and rehabilitation had occurred in the period from 1980 to 1986. (See Table 5.)

Building Efficiency

- o Current data on building efficiency, defined as the ratio of net leasable square feet to gross square feet, reveal an average range of 88 to 98 percent. These figures represent a striking contrast to 1978 data when the aggregate efficiency factor was 75 percent. The differences probably reflect two current trends. The first trend pertains to new office building construction. In an effort to maximize usable space, developers and architects frequently design buildings for full floor tenants, and so elevators, rest rooms, and storage areas are often incorporated into a tenant firm's leasable space. Second, most building owners have converted from the BOMA to the New York standard for measuring leasable space, which includes more common area in its definition of net leasable space. (See Table 7.)
- o Efficiency data were broken down by market area and by building class in an attempt to identify differences within these categories. Although some differences in efficiency exist between building classes and within market areas, no statistically significant differences exist. (See Table 6.)

Building Condition

- o Eighty percent of building owners reported that their buildings are newly constructed or have been substantially renovated since 1960, compared to 42 percent reported in 1978. The current survey indicates that an additional 38 percent of the office stock was upgraded in a span of eight years.
- o Of those buildings which have been renovated, improvements such as paint and paper (77 percent), and ceilings and carpeting (77 percent) were most frequent. Restrooms (67 percent), entrances (67 percent) and wiring (70 percent) were also important. Computer and telecommunications systems, on the other hand, were considered to be expenditures which would not increase the marketability of the building or which the tenant firm should bear. Some owners of renovated buildings felt that their client base had little need for comprehensive, highly sophisticated communications equipment. (See Table 8)

- o Electricity is the leading source of energy used (44 percent), followed closely by oil (43 percent) and then gas (14 percent). No building owner surveyed reported using solar energy. Fifty-two percent of the buildings in the survey are centrally cooled. Nineteen percent continue to rely on window units in individual offices and a surprising 5 percent are not cooled at all. A third of the buildings in the sample reportedly use a burglar alarm system. (See Tables 9, 10, 11)
- o Average operating costs per square foot for different building classifications are not significantly different. Operating costs range from \$4.81 to \$5.15 per square foot for Class A space, and from \$4.61 to \$6.88 for Class B space. (See Table 14.)

Supporting Tables and Charts

Table 3. Changes in Building Class from 1978 to 1986

<u>Building Class</u>	<u>Total Square Feet*</u> 1986	<u>Percent of Total</u>	<u>Total Square Feet - 1978**</u>	<u>Percent of Total</u>
A1	18,368,345	63	13,700,000	40
A2	7,800,423			
B1	10,574,587	31	5,016,000	15
B2	2,279,720			
C	2,392,246	6	14,000,000	43
D	NA ***	0	629,200	2
Total	41,415,321	100	33,345,200	100

* All measurements are in net leasable square feet.

** Figures for 1978 square feet have been rounded.

*** NA - not available

Table 4. Original Construction Dates of Sample Office Buildings in Downtown Boston

<u>Date of Original Construction</u>	<u>No. Bldgs.</u>	<u>% of Sample</u>	<u>% of Sample (sub-totals)</u>	<u>SEE**</u>
1980-1986	7	7		
1970-1979	3	3	14	2.7
1960-1969	4	4		
1950-1959	0	0		
1940-1949	2	2		
1930-1939	3	3	15	2.8
1920-1929	9	10		
1910-1919	15	16		
1900-1909	15	16	47	3.9
1890-1899	14	15		
1880-1889	4	4		
1870-1879	7	7	13	2.7
1860-1869	2	2		
1850-1859	0	0		
1840-1849	1	1		
1830-1839	1	1		
1820-1829	1	1	9	2.3
1810-1819	0	0		
1800-1809	3	3		
No Information	3	3		
Total	94	100*		

* May not sum to 100% due to rounding.

** Standard error.

Table 5. Age and Condition of Office Building in Sample,
Downtown Boston, December, 1986

<u>Date of Original Construction or Rehabilitation</u>	<u>No. Bldgs.</u>	<u>% of Sample</u>	<u>% of Sample (sub-totals)</u>	<u>SEE**</u>
1980-1987	55	59		
1970-1979	12	13	80	3.1
1960-1969	7	8		
1950-1959	0	0		
1940-1949	2	2		
1930-1939	2	2	12	2.52
1920-1929	2	2		
1910-1919	4	4		
1900-1909	2	2		
1890-1899	2	2		
1880-1889	0	0		
1870-1879	1	1		
1860-1869	1	1		
1850-1859	0	0		
1840-1849	0	0		
1830-1839	0	0	7	1.98
1820-1829	0	0		
1810-1819	2	2		
1800-1809	1	1		
No Information	1	1		
Total	94	100*		

* May not add to 100% due to rounding

** Standard error

Table 6. Building Efficiency by Market Area and Class, December, 1986

<u>Market Area</u>	<u>No. Buildings</u>	<u>Net Leasable Square Feet</u>	<u>Gross Square Feet</u>	<u>Average Efficiency</u>	<u>SEE</u>
Financial	39	4,463,461	4,961,496	.90	.036
Back Bay	24	1,313,040	1,486,585	.88	.049
Retail	12	564,101	616,719	.92	.058
Fort Point	7	1,209,795	1,231,000	.98	.039
Government	7	399,972	438,500	.91	.081
Charlestown	2	231,536	242,536	.95	.115
Waterfront	3	105,500	107,000	.99	.043
Total	94	8,287,405	9,083,836	.91	.022
Class					
A1	8	2,786,343	3,163,701	.88	.086
A2	17	1,503,211	1,602,987	.94	.043
B1	48	3,062,017	3,223,373	.95	.023
B2	11	562,032	680,335	.83	.084
C	10	373,802	413,440	.90	.071
Total	94	8,287,405	9,083,836	.91	.022

Table 7. Building Owners' Standards for Measuring Net Leasable Square Feet

<u>Standard</u>	<u>No. Using Standard</u>	<u>% of Total</u>	<u>SEE**</u>
New York	51	54	4.0
BOMA	22	23	3.4
Combination	12	13	2.7
Other method	3	3	1.4
Not applicable	3	3	-
No Answer	3	3	-
Total	94	100*	

* May not sum to 100% due to rounding

** See appendix for definitions of BOMA and New York Standards.

Table 8. Areas Upgraded in Building Renovations as of 1986

<u>Area of Building</u>	<u>No. Renovated</u>	<u>% Renovated</u>	<u>SEE*</u>
Windows	64	69	3.6
Interior walls	66	71	3.6
Paint and paper	71	77	3.3
Ceilings	72	77	3.3
Floor	62	67	3.0
Carpeting	71	77	3.3
Interior lighting	68	73	3.4
Exterior entrance lighting	54	59	3.8
Outer walls	40	43	3.9
Entrance/foyer	62	67	3.6
Plumbing	55	60	3.8
Wiring (electrical)	64	70	3.6
Computer cabling	19	21	3.2
Computer access	13	14	2.7
Telecommunication system	21	23	3.3
Heating	61	66	3.7
Cooking	61	66	3.8
Elevators	56	61	3.8
Bathrooms	62	67	3.7
Structural	31	34	3.7
Roof	50	54	3.9
Repointing brick	44	48	3.9
Fire prevention system	54	59	3.8
Security system	51	57	3.9

* Standard Error

Table 9. Sources of Energy use in Downtown Boston's Office Buildings

<u>Energy Source</u>	<u>% Buildings</u>	<u>SEE**</u>
Electricity	44	.038
Oil	43	.038
Gas	14	.027
Solar	0	0
Total	100*	

* May not add to 100% due to rounding

** Standard error

Table 10. Sources of Cooling in Downtown Boston's Office Buildings

<u>Cooling Sources</u>	<u>% of Total</u>	<u>SEE*</u>
Centrally cooled	52	.039
Individual window units	19	.031
Fans	0	0
Other	21	.032
Not cooled	5	.017
No answer	3	
Total	100	

* Standard error

Table 11. Types of Security Systems Used in Office Buildings Downtown

<u>Security Systems</u>	<u>% of Total</u>	<u>SEE*</u>
Burglar alarm	33	.036
Electronic surveillance	14	.027
Full-time security guard	17	.029
Night security guard	10	.023
Card system	2	.011
None	18	.030
Other	3	.013
No answer	3	.013
Total	100	

* Standard error

HIGHLIGHTS FROM THE TENANT SURVEY: FINANCIAL DISTRICT AND BACK BAY

The Financial District Tenant Survey

Employee Characteristics

- o Although many firm types are represented in the Financial District, 82 percent of workers are employed in either banking and credit firms (35 percent), the financial services industry (26 percent) or professional and legal service firms (21 percent). (See Table 15.)
- o Professionals and managers represent 49 percent of the Financial District workforce, and clerical workers account for 44 percent. The number of professional and managerial jobs has increased dramatically relative to other job categories in the Financial District, reflecting the increasing professionalization of the area's workforce. (See Table 16, 17, 18, 19.)
- o Seventy-nine percent of those responding said that locating and hiring skilled secretaries and clerical workers was a problem. Twenty-four percent of those surveyed responded that readily available daycare would assist them in their efforts to recruit qualified secretaries, and 37 percent said that additional job training would help.

Commuter Patterns

- o In the Financial District, the MBTA is the exclusive mode of transit for 21 percent of workers. The automobile also transports 20 percent of workers, and with carpools added, autos account for almost a quarter of all commutes. Roughly 29 percent of Financial District commuters use a combination of car and MBTA. (See Table 20.)
- o Despite the heavy reliance of workers on auto transit, almost all firms reported that they have no transportation programs geared towards relieving commuter congestion. The vast majority do not have even minimal transportation programs, such as bulletin boards to aid in car pooling. (See Table 21.)

Leasing Characteristics

- o Eighty-eight percent of the firms surveyed in the Financial District have leases ranging in length from 3 to 10 years; most new leases in the Financial District are written for periods of 3 or 5 years. Fifty-seven percent of tenants reported that building owners had made concessions at the time their leases were drawn up. 16 percent of tenants had received a period of free rent as a concession. The average period of free rent accorded tenants was four months. (See Table 22.)
- o Firms tend to protect themselves from having to move by leasing extra space and subleasing that space to other small firms on a short term basis. Currently, twenty-one percent of firms surveyed in the Financial District sublease space to other firms.

- o Average base rents in the Financial District range from \$17 to \$31 per square foot, the greatest spread between high and low rents in the city. Reasons for this rent differential include the existence of tenants with leases written more than five years ago, with rents for Class A space of \$6 to \$8 per square foot; and also the ability for some larger tenants to negotiate more favorable lease terms.

Location and Relocation

- o The history of tenant firms elicited by the survey reveals that the average firm has occupied the same space for 7 years and employs 36 workers. In general the firms who had moved into their present location in the past 7 years had occupied their prior space for 5 years and had 30 employees at that time. Firms which had moved twice in recent years had been in the earlier location for 17 years with 18 employees. The 3 locations suggest that expansion of firm size had a bearing on each move. (See Table 23.)
- o The most compelling reason for relocating is the need for additional space. Firms tend to resist moving for as long as possible, since moving is expensive and always involves elements of risk. (See Table 24.)
- o Firms were asked to list the critical factors which caused them to lease space in their current locations. The most commonly mentioned factors were: proximity to the Financial District (46 percent), proximity to clients and customers (26 percent), fulfills space requirements (66 percent), aesthetics of the building (7 percent), neighborhood (20 percent) and proximity to the MBTA (48 percent). (See Table 25.)
- o Of the firms surveyed, 54 percent anticipate moving or expanding or both. Only 14 percent would consider relocating outside of Boston. The primary reasons cited for relocation outside of Boston are lower rents and easier access by auto. Those who would relocate within Boston would do so primarily to be near clients and customers. (See Table 25.)
- o Firms were asked if they felt given areas of the city outside the Financial District and Back Bay were appropriate locations for their operations. Midtown (48 percent), Broad Street (54 percent), Waterfront (56 percent), and South Station (45 percent) are neighborhoods frequently mentioned as a suitable new location. East Boston (98 percent), South End (98 percent), Allston (95 percent) and the Southwest Corridor (98 percent) were cited as unsuitable locations. (See Table 27.)



The Back Bay Tenant Survey

Employee Characteristics

- o The largest single professional group employed by sample firms in Back Bay is accountants; and the banking and insurance industries are the largest employers of clerical workers. (See Table 31, 32.)
- o Thirty-six percent of employers in the Back Bay were concerned with the shortage of candidates for clerical/secretarial positions. Because of the shortage, twenty-two percent of employers reported making a special effort to hire Boston residents. Twenty-three percent felt that additional training would help to increase the pool of qualified candidates.

Commuter Patterns

- o As in the Financial District, the MBTA is the most generally used mode of transportation to work among employees (37 percent), with automobile being second (31 percent). (See Table 35.)
- o Companies in the Back Bay exert little effort to provide relief for commuter congestion. Even those transportation programs requiring no financial commitment by employers are not being taken advantage of. In fact, 68 percent of firms interviewed report offering no transportation programs at all. (See Table 36.)

Leasing Characteristics

- o Most current leases are written for 3 (30 percent) or 5 (45 percent) years. (See Table 37.)
- o Nine percent of firms in the Back Bay lease more space than they currently need and sublease surplus space to other firms on a short term basis. The quantity of space subleased ranges from 10 to 40 percent of total space leased.
- o Base rents in Back Bay fall mainly within a range of \$15 to \$30 per square foot; and these rents may reflect a large number of old leases. (See Table 38.)
- o In addition, almost uniformly, current leasing arrangements require tenants to pay operating costs and taxes beyond a base year step. Often rent is net of electricity, heat, cooling and/or cleaning. Seventy-four percent of firms sampled in the Back Bay pay their own electricity. As a consequence, effective rents are considerably higher than the base rent ranges. (See Table 39, 40.)
- o Thirty-five percent of firms interviewed indicated that substantial concessions were made when they signed their leases. Twelve percent received an average of three months free rent. Thirteen percent were granted substantial renovations beyond standard, and 17 percent have an option to renew their leases.

Location and Relocation

- o The average firm in Back Bay has occupied the same space for 9 years and has 24 employees. Fifty-three percent of firms surveyed listed a prior address which their firms had occupied for an average of 6 years. At that time, employees numbered fifteen.
- o When asked why tenants had left their prior location, 59 percent reported that they needed more space. Twenty percent cited prestige as the major factor in their relocation decision. Another fifteen percent indicated that they were forced out. (See Table 41.)
- o Sixty-six percent of firms in Back Bay chose their current location in order to be near clients and customers. For nineteen percent, proximity to their labor force was a priority. Fifty percent asserted that their current location fulfilled their space requirements. Forty-four percent indicated that the aesthetics of the building and/or neighborhood weighed heavily in their decision; and firms were overwhelmingly swayed by proximity to the "T" (72 percent). (See Table 42.)
- o Twenty-four percent of firms interviewed reported plans to move within the next two to five years, 10 percent of the Back Bay sample reported that they would consider leaving downtown Boston.
- o Firms were asked how important a particular building's amenities would be in causing locational decisions to be made. Fifty-six percent stated that parking would be a major inducement.
- o When asked which Boston neighborhoods were suitable locations for their operations, 88 percent cited Midtown, 32 percent cited Broad Street, 35 percent mentioned the Waterfront, and 28 percent listed Fenway/Kenmore. (See Table 47.)
- o Neighborhoods perceived as being unsuitable locations for operations include East Boston (97 percent), Southwest Corridor (97 percent), Charlestown (94 percent), and Government District (91 percent). This indicates that the success of secondary office markets in neighborhoods must be driven by the location of key anchor tenants in those areas, such as Massachusetts General Hospital in the Charlestown Navy Yard. (See Table 47.)

Supporting Tables and Charts

Table 15. Square Feet Per Worker for Lessee Firms
in the Financial District

<u>Firm Type</u>	<u>No. Employees</u>	<u>Square Feet Occupied</u>	<u>Square Feet/Worker</u>
Construction	6	1750	292
Furniture	20	7000	350
Wholesale/retail	2	848	424
Banking and credit	1057	115,550	109
Financial services	779	125,309	161
Insurance	186	39,442	212
Real estate	148	45,400	307
Business services	118	24,277	206
Legal services	443	117,458	265
Educational services	16	4,500	281
Gov't, social services/ non-profit	33	15,600	473
Professional services	195	31,864	163
Total	3003	528,998	

Table 16. Percent of Workers Employed in Professional and Clerical Positions in Lessee Firms in the Financial District, 1978 and 1986.

<u>Occupational Categories</u>	<u>1978</u>	<u>1986</u>
Professional, managerial	38	49
Clerical	41	44
Other	21	7
Total	100	100

**Table 17: Occupations of professionals in principal industries as a
Percent of Total Professional Workforce in Each Industry
in the Financial District**

<u>Occupations</u>	<u>Financial Services</u>	<u>Banking</u>	<u>Insurance</u>	<u>Business Services</u>	<u>Professional Services</u>	<u>Legal Services</u>	<u>Percent of Total</u>
Economists	20	0	29	0	0	0*	10
Engineers	0*	0	0	0	1	0	0*
Architects	0	0	0	0	93	0	18
Accountants	25	0	0	0	1	1	11
Manager/Sales	14	17	46	15	2	3	10
Branch Managers	5	0	25	1	0	1	3
Computer Specialists	4	0	0	1	0	0	2
Lawyers	3	0	0	1	0	0	85
Purchasing Agents	1	0	0	0	0	0	22
Artists	1	0	0	0	0	0	0*
Librarians	1	0	0	8	2	0	1
Health Professionals	0	0	0	0	1	0*	1
Other Professionals	25	83	58	0	0	0	0*
Writers/Editors	1	0	12	0	0	10	20
TOTAL	100	100	100	100	100	0	2

* Indicates less than one-half of one percent of the total.

Note: Percent of total figures may vary (from row totals) due to rounding error; total workforce of principal industries based on sample of 880 professionals in the Financial District.

Source: Boston Redevelopment Authority, Research Department, October 15, 1986.

Table 18: Occupations of Clerical Workers in Principal Industries as a Percent of Total Workforce in Each Clerical Category in the Financial District

<u>Industry</u>	<u>Bankteller</u> <u>Bookkeeper</u>	<u>Clerk</u> <u>Supervisor</u>	<u>Secretary,</u> <u>Clerk</u>	<u>Receptionist</u>	<u>Computer</u> <u>Operator</u>	<u>Percent</u> <u>of Total</u>
Construction	0	0*	0	0	0	0
Furniture	1	0*	3	0	0	1
Printing/ Publishing	0	0	0	0	0	0
Banking/Credit	3	31	7	0	0	27
Financial Services	73	21	23	20	27	
Insurance	0	15	10	7	13	
Real Estate	0	0	0	0	0	0
Business Services	2	5	0	0	5	
Legal Services	12	24	37	7	22	
Educational Services	1	1	7	0	1	
Professional Services	5	1	13	53	2	
Social Services	3	1	0	13	2	
TOTAL	100	100	100	100	100	100

* Indicates less than one-half of one percent of the total.

Note: Percentages may vary due to rounding error; total clerical workforce based on sample of 932 clerical workers in the Financial District.

Source: Boston Redevelopment Authority, Research Department, October 15, 1986.

Table 19: Occupations by Industry as a Percent of Total Workforce in Each Clerical Category in the Financial District

<u>Industry</u>	<u>Professional/ Managerial</u>	<u>Sales</u>	<u>Clerical</u>	<u>Labor/ Service</u>	<u>Percent of Total</u>
Construction	0	0	0*	7	0*
Furniture	0*	10	0*	0	1
Banking/Credit	1	14	27	0	13
Financial Services	35	43	27	27	32
Insurance	2	31	13	0	9
Real Estate	0*	0	0	0	0*
Business Services	8	0	5	0	6
Legal Services	20	2	23	66	20
Educational Services	1	0	1	0	1
Professional Services	16	0	2	0	9
Social Services	17	0	2	0	9
TOTAL	100	100	100	100	100

* Indicates less than one-half of one percent of the total.

Note: Percentages may vary due to rounding error; total workforce based on sample of 2,164 workers in the Financial District.

Source: Boston Redevelopment Authority, Research Department, October 15, 1986.

Table 20. Journey to Work Patterns in the Financial District

<u>Mode of Transportation</u>	<u>Percent of Workers</u>
Car	20
Bus, train	15
MBTA	21
Car and MBTA	29
Car pool	4
Walking and other	10
Total	100*

* May not total to 100% due to rounding

Table 21. Transportation Programs Instituted by Firms to Expedite Employees Getting to Work

<u>Transportation Programs</u>	<u>Percent of Firms in Program</u>
Staggered work hours	11
4-Day work week	4
T-Pass	24
Bulletin board	4
Minibus	0
Other	4

Table 22. Concessions Made to Tenants Negotiating Leases in the Financial District
(in percent)

<u>Concession</u>	<u>Percent Attaining Concessions</u>	<u>Percent Not Attaining Concession</u>	<u>Percent Not Answering</u>	<u>Total*</u>
Free rent	16	80	4	100
Renovations beyond Standard (build-out)	27	70	4	100
Step increases	16	80	4	100
Equity	0	97	4	100
Option to buy	0	97	4	100
Option to renew	34	62	4	100

*Note: Totals may not add to 100 percent because of rounding.

Table 23. A Sample of the Locational History of Firms in the Financial District

<u>Current Address 1</u>	<u>Prior Address Address 2</u>	<u>Previous to Prior Address 3</u>
Milk Street	Court Street	Devonshire
Washington Mall	Ashburton Place	Tremont Street
High Street	Milk Street	Atlantic Avenue
Federal Street	Post Office Square	State Street
School Street	Federal Street	Court Street
Milk Street	Boylston Street	Newbury Street
Franklin Street	Post Office Square	Center Plaza
Franklin Street	Franklin Street	Federal Street
Franklin Street	Franklin Street	Oliver Street
Pearl Street	Federal Street	Charles River Plaza
Atlantic Avenue	Federal Street	State Street
Federal Street	State Street	Washington Mall
State Street	State Street	State Street
State Street	Boston Place	Franklin Street
State Street	Water Street	Congress Street
State Street	State Street	State Street
Atlantic Avenue	Atlantic Avenue	High Street

Table 24. Reason Why Firms Left Prior Location
(in percent)

<u>Reasons for Leaving</u>	<u>Leaving Prior Location for this Reason</u>	<u>Leaving Previous to Prior Location for this Reason</u>
More space	61	65
Better view	2	0
Prestige	5	0
Demolished building	9	0
Forced out	11	15
Branch expansion	5	15
Costs	5	5
Merger	2	0
	100	100

Table 25. Why Firms Relocate within the City of Boston

<u>Reasons for Moving Within Boston</u>	<u>Percent Responding</u>
Proximity to firms in same industry	11
Proximity to supplies	4
Proximity to customers/clients	41
Proximity to labor force	4
Proximity to Financial District	11
Fulfills space requirements	4
Aesthetics	7
Near public transportation	4
Business is good	11
Purchased building	4
	100*

<u>Why Firms Leave Boston</u>	
<u>Reasons for Leaving City</u>	<u>Percent of Total*</u>
To be near clients, customers	13
Ease of access by auto	25
Lower rent	50
No reason given	13
Total	100*

*Based on a small sample; may not add to 100% due to rounding.

Table 26. Desired Floor Plate Size by Firm Type (S.I.C.)
(in percent)

<u>Firm Type</u>	<u>Less than 8,000 Square Feet</u>	<u>8,000-16,000 Square Feet</u>	<u>Over 16,000 Square Feet</u>
Furniture	0	0	14
Banking	0	13	0
Financial services	14	63	29
Insurance	14	0	29
Business services	57	0	0
Legal services	8	24	28
Educational service	7	0	0
Total	100	100	100

Table 27. Firms Responses to the Prospect of Relocating in Different Neighborhoods Within the City of Boston (in percent)

<u>Neighborhood</u>	<u>Firms Viewing Neighborhoods as a Suitable Location</u>	<u>Firms Viewing Neighborhoods as an Unsuitable Location</u>	<u>Total</u>
Midtown	48	52	100
Broad Street	54	6	100
Government District	18	82	100
Waterfront	56	44	100
South Boston	16	84	100
South Station	45	55	100
North Station	13	87	100
Charles	5	95	100
East Boston	2	98	100
Corridor	2	98	100
Allston	5	95	100
South End	2	98	100

Table 28. Building Class Sample in Back Bay

<u>Building Class</u>	<u>Number of Buildings</u>	<u>Square Feet</u>	
		<u>Number</u>	<u>Percent</u>
A1	1	207,832	18
A2	4	459,964	40
B1	13	288,601	25
B2	1	151,770	13
C	5	49,343	14
Total	24	1,157,510	100

Table 29. Square Feet/Worker in Back Bay Industries

<u>Industry</u>	<u>Number of Employees</u>	<u>Square Feet Occupied</u>	<u>Square Feet/ Worker</u>
Printing and publishing	2	1,000	580
Air transport	5	1,400	280
Communications	48	9,600	200
Wholesale/retail	6	1,850	308
Banking and credit	8	7,500	937
Financial services	13	5,900	454
Insurance	3116	324,416	104
Real estate	124	36,621	295
Business services	287	84,623	295
Motion pictures	146	49,180	337
Health services	5	2,400	480
Legal services	12	41,000	342
Educational services	93	40,000	433
Gov/Social service/non- profit	8	7,600	950
Professional services	166	39,590	238
Total	4039	616,068	

Table 30: Percent Professionals Employed in Principal Industries
in the Financial District
(in Percent)

<u>Occupations</u>	<u>Financial Services</u>	<u>Banking</u>	<u>Insurance</u>	<u>Business Services</u>	<u>Professional Services</u>	<u>Legal Services</u>	<u>Percent of Total</u>
Economists	*	*	10	0	0	0	11
Engineers	0	0	0	0	3	0	3
Architects	0	0	0	0	5	0	5
Accountants	0	24	0	*	*	0	24
Manager/Sales	0	0	4	1	0	0	5
Branch Managers	0	0	2	0	0	0	2
Computer Specialists	0	0	*	0	0	0	*
Lawyers	*	2	0	0	0	0	2
Purchasing Agents	0	0	0	0	0	0	0
Artists	0	0	0	*	0	0	2
Librarians	0	0	0	0	0	0	0
Health Professionals	0	0	0	0	0	0	0
Writers/Editors	0	0	1	1	0	1	1
Other Professionals	0	27	14	2	*	0	43
Percent of Total	*	54	28	9	8	*	100

* Indicates less than one-half of one percent of the total.

Note: Percent of total figures may vary (from row totals.) due to rounding error; all percentages based on sample of 1,656 professionals in the Back Bay.

Source: Boston Redevelopment Authority, Research Department, October 21, 1986.

Table 31: Clerical Workers Employed in Principal Industries
in the Back Bay
(in Percent)

<u>Industry</u>	<u>Bankteller</u> <u>Bookkeeper</u>	<u>Clerk</u> <u>Supervisor</u>	<u>Secretary,</u> <u>Clerk</u>	<u>Receptionist</u>	<u>Computer</u> <u>Operator</u>	<u>Percent</u> <u>of Total</u>
Construction	0	0	0	0	0	0
Furniture	0	0	0	0	0	0
Printing/ Publishing	0	0	0	0	0	0
Banking/Credit	0	52	0	0	0	52
Financial Services	0	*	0	0	0	*
Insurance	0	37	0	0	0	37
Real Estate	*	2	0	0	0	2
Business Services	1	2	4	0	*	7
Legal Services	*	*	0	0	0	*
Educational Services	0	*	0	0	0	*
Professional Services	*	1	0	0	0	1
Social Services/ Non-profit	0	*	0	0	0	*
Percent of Total	1	95	4	*	100	

* Indicates less than one-half of one percent of the total.

Note: Percent of total figures may vary (from row and column totals) due to rounding error; all percentages based on a workforce sample of 1,633 clerical workers in the Back Bay.

Source: Boston Redevelopment Authority, Research Department, October 15, 1986.

Table 32: Workers by Industry as a Percent of Total
Workforce in the Back Bay

<u>Industry</u>	<u>Professional/ Managerial</u>	<u>Sales</u>	<u>Clerical</u>	<u>Labor/ Service</u>	<u>Percent of Total</u>
Banking/Credit	21	10	21	0	52
Financial Services	*	*	*	0	*
Insurance	11	*	15	0	26
Real Estate	2	1	1	0	3
Business Services	4	1	3	0	7
Legal Services	*	0	*	1	2
Educational Services	5	*	*	0	5
Professional Services	3	*	1	0	4
Social Services/ Non-Profit	*	0	*	0	*
TOTAL	46	13	39	1	100

* Indicates less than one-half of one percent of the total.

Note: Percent of total figures may vary (from row and column totals) due to rounding error; all percentages based on a workforce sample of 4,140 workers in the Back Bay.

Source: Boston Redevelopment Authority, Research Department, October 21, 1986.

Table 33. Annual Salary Ranges of Resident and Non Resident
Office Workers in Back Bay
(in thousand of dollars)

<u>Job Category</u>	<u>Residents</u> <u>Average</u> <u>Salary Range</u>	<u>Non Residents</u> <u>Average</u> <u>Salary Range</u>	<u>Average Salary</u> <u>Range All</u> <u>Office Workers</u>
Professional/managerial			
90 Economists	24-61	*	26-132
3 Engineer	*	40-78	33-72
129 Architect	*	20-32	20-49
128 Accountant	*	28-30	25-48
169 Managers, sales	25-84	36-49	33-68
169B Branch manager	34-58	37-46	33-60
86 Computer specialists	*	33-33	24-32
149 Lawyer	25-69	28-110	26-83
155 Purchasing agent	*	15-15	15-15
112 Artist	19-31	22-30	22-44
152 Librarian	8-8	*	8-8
38 Health professional	*	*	*
125 Writer editor	15-86	25-37	21-52
168 Other professional	18-36	27-54	8-23
Sales			
196 Financial services	*	*	30-110
195 Insurance	27-31	*	27-31
191 Real estate	*	*	*
198 Technical	18-65	*	18-65
203 Other sales	19-37	26-52	22-71
Clerical			
207 Bank teller	*	*	*
211 Accounting clerk	*	12-21	16-24
212 Bookkeeping, hand	14-15	17-26	15-22
221 Clerical supervisor	19-19	*	15-22
236 General clerk	*	12-23	12-20
257 Computer operative	*	15-21	15-20
281 Secretary	18-20	15-21	15-20
296 Tel operator	13-22	14-19	14-19
308 Other clerical	10-14	16-33	22-22
Service and Labor			
648 Custodian	9-9	*	9-9
649 Food service workers	*	*	*
695 Security guards	*	*	*
723 Other service workers	15-16	16-50	16-35

*No Information

Table 37. Lease Lengths in Back Bay

<u>Lease Terms (years)</u>	<u>Percent of Firms</u>
0	19*
1	0
2	3
3	25
4	6
5	37
6	0
7	3
8	1
9	0
10	6
Total	100

*Represent tenants-at-will, mostly in buildings in transition.

Table 38. Square Foot Rent Ranges of Office Tenants
in Back Bay

<u>Rent Ranges (dollars)</u>	<u>Percent of Firms</u>
0-4.99	3
5.00-9.99	14
10.00-14.99	12
15.00-19.99	29
20.00-24.99	27
25.00-29.99	15
N.A. 30-34.99	0
35-39.99	
Total	100

Table 39. Common Areas Included in Firms' Rent
(in percent)

<u>Area</u>	<u>Percent of Leases</u>
Halls	100
Elevators	99
Toilets	100
Storage areas	88

Table 40. Operating Costs Included in Rents in Back Bay (in percent)

<u>Operating Cost Category</u>	<u>Included in Rent</u>	<u>Additional Cost to Tenant</u>	<u>Total</u>
Heat	72	28	100
Cooling	57	43	100
Electricity	26	74	100
Cleaning	47	53	100
Maintenance	53	47	100
Renovations	37	63	100
Repairs	49	51	100
Taxes	74	26	100
Insurance	69	31	100
Telecommunications	3	97	100
Computer access, time sharing	0	100	100

Table 41. Reasons Given by Back Bay Firms for Having Left Their Prior Location

<u>Reason</u>	<u>Percent of Firms</u>
Need for more space	59
Prestige	20
Forced out	15
Branch expansion	2
Poor business location	2
Merger	2
Total	100

Table 42. Critical Factors Influencing Locational Decisions of Firms in Back Bay

<u>Factors</u>	<u>Percent Firms Influenced</u>
Proximity to clients/customers	66
Proximity to labor force	6
Fulfills space requirements	50
Aesthetics of building/neighborhood	44
Near MBTA stop	72
Near bus or train station	35
Accessibility to Rte. 128, 93 or Mass Pike	41
Near parking facility	24
Ease of access by auto	10

Table 43. Back Bay Firms' Perceptions of How Much Space
is Required for Their Operations

<u>Square Feet</u>	<u>Percent of Firms</u>
0-1000	28
1001-2000	22
2001-3000	20
3001-4000	3
4001-5000	6
5001-6000	6
6001-7000	0
7001-8000	3
8001-9000	0
9001-10000	6
10001-11000	0
11001-12000	3
12001-13000	3
Total	100

Table 44. Height Preferences of Firms in Back Bay

<u>Lowest Acceptable Floor</u>	<u>Percent of Firms</u>
Basement	46
First floor	6
Second floor	34
Third floor	1
Twentieth floor	1
Don't know	10
No answer	1
Total	100

* May not add to 100% due to rounding

Table 45. Amenities Influencing Firms' Locational Decisions
(in percent)

<u>Amenities</u>	<u>Firms Positively Influenced</u>	<u>Firms Not Influenced</u>	<u>Total</u>
Health club	4	96	100
Atrium	1	99	100
View	6	94	100
Eatery	18	82	100
Private club	0	100	100
Parking garage	56	44	100
Daycare	7	93	100
Security	49	51	100
Newsstand	0	0	100

Table 46. Need for Computer Related Improvements and Amenities by Firms in Back Bay
(in percent)

<u>Improvement</u>	<u>Firms Needing Improvements</u>	<u>Firms not Needing Improvements</u>	<u>Total</u>
More space/worker	18	82	100
Single channel voice and data transmission	1	99	100
More lighting	10	90	100
More cooling	10	90	100
More inter-office wiring	15	85	100
More ducts	7	93	100
More cable storage	7	93	100

Table 47. Back Bay Firms' Perceptions of Boston Neighborhoods as Appropriate Locations for Their Operations (in percent)

<u>Neighborhood</u>	<u>Perceiving Neighborhood as Suitable</u>	<u>Perceiving Neighborhood as unsuitable</u>	<u>Total</u>
Midtown	88	12	100
Broad Street	32	68	100
Government District	9	91	100
Boston Waterfront	35	65	100
Fort Point Channel	22	78	100
South Station	26	74	100
North Station	18	82	100
Charlestown	6	94	100
East Boston	3	97	100
Southwest Corridor	3	97	100
Fenway/Kenmore	28	72	100

TABLE 48: Industries Occupying Space in Downtown Boston by Market Area
(in square feet)

<u>Firm Type</u>	<u>Financial</u>	<u>Back Bay</u>	<u>Retail</u>	<u>Government</u>	<u>Fort Point Channel</u>	<u>Charlestown</u>	<u>Waterfront</u>	<u>Total</u>
Construction	17,165	21,000	0	0	5,200	0	0	43,365
Manufacturing	3,000	0	0	0	0	0	0	3,000
Printing and Publishing	13,690	24,130	0	319	0	10,132	31,440	79,711
Electrical	20,617	0	0	0	0	0	0	20,617
Misc. Manufacturing	80,647	15,000	8,175	0	0	0	0	103,822
Transport and Other								
Public Utility	8,612	12,500	0	1,270	5,000	48,000	0	75,382
Communication	144,600	79,089	0	6,309	0	0	10,000	239,998
Electric, Gas, Sanitary Service	1,250	0	0	0	3,000	0	0	4,250
Wholesale Trade	32,945	34,000	7,284	29,200	0	0	0	103,429
Retail Trade	159,363	178,139	71,815	28,205	21,400	27,800	2,200	488,922
Banking & Credit	909,998	38,525	200,000	0	0	3,200	0	1,151,723
Financial Services	626,386	24,256	16,805	6,710	200,000	69,000	6,400	949,551
Insurance	330,180	339,064	14,700	13,500	32,000	0	5,000	734,444
Real Estate	234,765	10,686	0	313,106	0	0	9,000	567,557
Hotel	3,000	950	0	0	0	0	0	3,950
Business Services	303,026	121,494	40,435	19,111	69,600	42,000	7,500	603,166
Personal & Repair Service								
Motion Pictures	11,300	24,100	5,800	15,800	3,200	0	7,000	67,200
Health Services	35,086	32,620	9,020	0	0	0	4,000	80,726
Legal Services	16,930	1,150	11,398	8,184	17,000	0	0	54,662
Educational Services	196,316	7,700	16,829	12,887	139,617	23,000	13,000	1,009,349
Government, Non-Profit	16,919	32,700	0	0	50,000	0	0	99,619
Professional Services	33,001	28,800	190,694	152,115	12,503	0	0	417,113
TOTAL	3,971,279	1,112,567	581,145	622,716	557,520	236,132	108,540	7,289,899

Source: Boston Redevelopment Authority, Office Industry Survey, ML/April, 1987.

TABLE 10: Industries Occupying Space in Downtown Boston by Market Area
(in percent)

<u>Firm Type</u>	<u>Financial</u>	<u>Back Bay</u>	<u>Retail</u>	<u>Government</u>	<u>Channel</u>	<u>Charlestown</u>	<u>Waterfront</u>	<u>Total</u>
Construction	0	0	0	0	0	0	0	1
Manufacturing	0	0	0	0	0	0	0	0
Printing and Publishing	0	0	0	0	0	0	0	1
Electrical	0	0	0	0	0	0	0	0
Misc. Manufacturing	1	0	0	0	0	0	0	1
Transport and Other								
Public Utility	0	0	0	0	0	1	0	1
Communication	2	1	0	0	0	0	0	3
Electric, Gas, Sanitary Service	0	0	0	0	0	0	0	0
Wholesale Trade	0	0	0	0	0	0	1	1
Retail Trade	2	2	1	0	0	0	0	7
Banking & Credit	12	1	3	0	0	0	16	16
Financial Services	9	0	0	0	0	3	0	13
Insurance	5	0	0	0	0	0	0	10
Real Estate	3	0	4	0	0	0	8	8
Hotel	0	0	0	0	0	0	0	0
Business Services	4	2	1	0	1	1	0	8
Personal & Repair Service	0	0	0	0	0	0	0	1
Motion Pictures	0	0	0	0	0	0	1	1
Health Services	0	0	0	0	0	0	1	1
Legal Services	11	0	0	2	0	0	14	14
Educational Services	0	0	0	1	0	0	1	1
Government, Non-Profit	0	0	3	2	0	0	6	6
Professional Services	2	1	0	0	0	0	5	5
TOTAL	54	15	9	8	3	1	1	100

Source: Boston Redevelopment Authority, Office Industry Survey, ML/April, 1987.

TABLE 50: Space Occupied by Industries in Each Market Area
(in percent)

<u>Firm Type</u>	<u>Financial</u>	<u>Back Bay</u>	<u>Retail</u>	<u>Government</u>	<u>Channel</u>	<u>Charlestown</u>	<u>Waterfront</u>
Construction	0	2	0	0	1	0	0
Manufacturing	0	0	0	0	0	0	0
Printing and Publishing	0	2	0	0	0	4	29
Electrical	1	0	0	0	0	0	0
Misc. Manufacturing	2	1	1	0	0	0	0
Transport and Other							
Public Utility	0	1	0	0	1	20	0
Communication	4	7	0	1	0	0	9
Electric, Gas, Sanitary Service	0	0	0	0	1	0	0
Wholesale Trade	1	3	1	5	0	0	0
Retail Trade	4	16	11	5	4	12	2
Banking & Credit	23	3	29	0	0	1	0
Financial Services	16	2	2	1	36	39	6
Insurance	8	30	2	2	6	0	5
Real Estate	6	1	0	50	0	0	8
Hotel	0	0	0	0	0	0	0
Business Services	8	11	6	3	12	18	7
Personal & Repair Service							
Motion Pictures	0	2	1	3	1	0	6
Health Services	1	3	1	0	0	4	4
Legal Services	0	0	2	1	3	0	0
Educational Services	20	1	2	2	25	10	12
Government, Non-Profit	0	3	0	0	9	0	0
Professional Services	4	8	28	24	2	0	0
TOTAL	100	100	100	100	100	100	100

Source: Boston Redevelopment Authority, Office Industry Survey, ML/April, 1987.

AN INVENTORY OF OFFICE SPACE IN DOWNTOWN BOSTON

Overview

Inventory data updated to year-end 1986, reveal the following comparisons with 1978:

- o Class A space had increased from 40 to 60 percent of the total downtown office market;
- o Class B space had increased from 15 to 34 percent of the market;
- o Class C space had decreased from 45 percent to 6 percent of the market;
- o Class A space in the Financial District had increased from 44 percent to 79 percent;
- o Class C space in the Financial District had decreased from 43 percent to 4 percent of the market; the trend towards disappearing Class C space was consistent throughout all market subareas in downtown Boston.

Office Space Classification

The BRA has developed five classifications of office space: A1, A2, B1, B2 and C. Each classification has unique characteristics. Class A1 buildings are 100,000 square feet or larger in size, have floor plates equal to or in excess of 8000 square feet, were constructed after 1959 and rent for \$25 or more/square foot. Class A2 buildings were constructed or rehabilitated after 1959 and rent for \$20 or more/square foot, but do not meet one or more parameters for Class A1 space.

It is characteristic of Class B1 buildings that they were constructed or rehabilitated after 1959 and tend to rent for less than \$20/square foot either because they are not located in the Central Business District or because rehabilitation has been cosmetic or partial.

Class B2 buildings, on the other hand, were constructed and/or rehabilitated prior to 1960. In general this classification refers to the City's stock of older, well-maintained buildings. The designation of Class C space, on the other hand, refers to old buildings which have not been well-maintained.

Inventory by Geographic Submarket and Office Space Classification

As of year-end 1986, downtown Boston, including the seven submarket areas, had a total of 43,616,000 square feet of office space. Fifty percent of that space (21,928,895 square feet) was located in the Financial District; twenty-two percent (9,695,520) was in Back-Bay; ten percent (4,361,600) was in the Government area; and nine percent of the market (3,925,440) was in the Retail District. The remaining office space inventoried stretched from Charlestown (1,315,022 or three percent), to the Boston Waterfront (536,160 square feet or one percent) to Fort Point Channel (1,853,363 square

feet or four percent of the market). The relative sizes of the submarket areas changed very little since 1978. The small relative changes reflect the addition of Charlestown and Fort Point Channel to the survey.

Table 1. A Comparison of Market Shares of Submarket Areas in Downtown Boston 1978 and 1986

<u>Market Area</u>	<u>Total</u> <u>Square Feet</u>	<u>Submarket Areas as a %</u> <u>of Total Market</u>	
	<u>1986</u>	<u>1986</u>	<u>1978</u>
Financial	21,928,895	50	54
Back Bay	9,695,520	22	21
Retail	3,925,440	9	12
Government	4,361,600	10	13
Fort Point Channel	1,853,363	4	not included
Charlestown	1,315,022	3	not included
Waterfront	536,160	1	not included
Total	43,616,000	100	100

Of the total square footage in downtown Boston's seven submarket areas as of early fourth quarter 1986, 26,213,216 square feet or 60 percent was Class A office space. In 1978, Class A space represented 40 percent of the market. In 1986, Class B office space totaled 14,960,288 square feet or 34 percent of space downtown. In 1978 Class B space represented 15 percent of the market. Class C office stock, on the other hand, fell from a high of 45 percent (including 2 percent of Class D space) in 1978 to 6 percent or 2,442,496 square feet in 1986.

Table 2. Changes in Building Class from 1978 to 1986

<u>Building Class</u>	<u>Total Square</u> <u>Feet by</u> <u>Building Class</u>	<u>Building</u> <u>Class as</u> <u>a % of</u> <u>Total</u>	<u>Building</u> <u>Class as</u> <u>a % of</u> <u>Total</u>
	<u>1986</u>	<u>1978*</u>	<u>1986**</u>
Class A1	18,842,112	40	60
Class A2	7,371,104		
Class B1	12,648,640	15	34
Class B2	2,311,648		
Class C	2,442,496	45	6
Total	43,616,000	100	100

* Based on gross square feet

** Based on net leasable square feet

Of all submarket areas, the Financial District exhibited the greatest change in building classification with Class A space increasing from 44% in 1978 to 79 percent in 1986 and Class C space decreasing from 43 percent in 1978 to 4 percent in 1986.

The key parameters which constrain the Class A lists are construction and rehabilitation dates and minimum rents. Construction dates tend to eliminate older, well-kept buildings from the Class A list. The minimum rent of \$20/square foot sets apart rehabilitated space in areas in transition (Bulfinch Triangle, the Leather District and Fort Point Channel) and market areas distant from the center of the City (Charlestown and South Boston).

All buildings in the Class A inventory have been assigned to one of three geographical districts - the Financial District, Back Bay, and Government. The boundaries of the Financial District are expected to expand to include the waterfront and newly rehabilitated buildings along Atlantic Avenue.

The boundaries of the Back Bay area have expanded to accommodate increasing demand in an area of limited supply.

Table 3: Class A Buildings by Market Area
(Percent Distribution)

Market Area	A1 Buildings		A2 Buildings	
	% Square Feet	% Buildings	% Square Feet	% Buildings
Financial	75	72	57	65
Back Bay	16	16	32	21
Government & Other	9	12	11	14
Total	100	100	100	100

A weighted average calculated by multiplying average rent by total square feet and dividing by total square feet revealed the weighted rent in Class A space to range from an average low of \$29.02 to an average high of \$32.82.

Another descriptive term used frequently with office space is tower vs. non tower. For purposes of this report, tower has been defined as any building over 12 stories in height.

Analysis revealed that of the 31 buildings in the Class A1 category, 24, representing 16,697,007 square feet of office space, are towers. In the Class A2 category, 9 buildings or 3,000,412 square feet are towers.

Table 4: Square Feet of Office Towers by Market Area
and A1 and A2 Subclassifications

<u>Market Area</u>	<u>A1 Buildings</u>		<u>A2 Buildings</u>	
	<u>Square Feet</u>	<u># of Buildings</u>	<u>Square Feet</u>	<u># of Buildings</u>
Financial	13,607,542	20	1,332,805	5
Back Bay	1,989,465	3	1,667,607	4
Government	1,100,000	1	0	0
Total	16,697,007	24	3,004,412	9



